

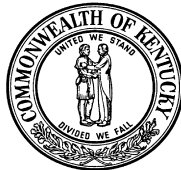


**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARLAN COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Harlan County, Kentucky, as of December 31, 1999.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC evaluated the Harlan County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
HARLAN COUNTY SHERIFF**

Calendar Year 1999

Berger & Ross, PLLC
Certified Public Accountants and Fraud Examiners
800 Envoy Circle
Louisville, KY 40299-1837
(502) 499-9088
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EXECUTIVE SUMMARY

HARLAN COUNTY STEVE DUFF, SHERIFF CALENDAR YEAR 1999 FEE AUDIT

On August 30, 2000, fieldwork was completed on the December 31, 1999 Harlan County Sheriff fee audit. An unqualified opinion was rendered on the financial statements. No reportable conditions relating to the audit of the financial statements were reported.

Excess Fees:

The Sheriff paid \$582,739 to fiscal court for 1999 fee pooling collections.

Deposits:

The Sheriff's office bank deposits were insured or properly collateralized with bank assets during calendar year 1999.

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To the People of Kentucky
Honorable Paul E. Patton, Governor
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Finance and Administration Cabinet
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Honorable Joseph A. Grieshop, County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Harlan County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of the Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated August 30, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
August 30, 2000

HARLAN COUNTY
STEVE DUFF, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Payments:

Corp of Engineers – Lake Patrol	\$	4,040
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State Fees For Services:

Finance And Administrative Cabinet	\$ 41,099	
Cabinet for Human Resources	<u>9,216</u>	50,315

Fiscal Court:

Sheriff's Salary		66,017
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Circuit Court Clerk:

Security Fees		7,254
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County Clerk:

Delinquent Taxes		18,458
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Commission on Taxes Collected		372,194
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Commission on Bank Shares - State		17,279
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Fees Collected for Services:

Auto Inspections	\$ 11,355	
Accident/Police Reports	108	
Penalty on Late Tax Collections	42,835	
Serving Papers	<u>36,746</u>	91,044

Other:

Advertising Fees	\$ 8,711	
Carrying Concealed Deadly Weapon Permits	11,100	
Conveying	4,509	
Miscellaneous	<u>3,939</u>	28,259

Interest Earned		<u>12,887</u>
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Gross Receipts	\$	667,747
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The accompanying notes are an integral part of the financial statement.

HARLAN COUNTY
STEVE DUFF, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Gross Receipts (Carried Forward)	\$ 667,747
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Disbursements

Operating Disbursements:

Payments to State-

Carrying Concealed Deadly Weapons Permits	\$ 7,290
Training	1,977
Executions	1,447
Bank Charges	296
Vehicle	2,900
Training/Drugs	5,000
Miscellaneous	<u>81</u>

Total Disbursements	<u>18,991</u>
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Net Receipts	\$ 648,756
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Less: Statutory Maximum	<u>66,017</u>
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Excess Fees Due County for Calendar Year 1999	\$ 582,739
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Payments to County Treasurer - Various Dates During the Year	<u>582,739</u>
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Balance Due at Completion of Audit	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of the financial statement.

HARLAN COUNTY
STEVE DUFF, SHERIFF
NOTES TO THE FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARLAN COUNTY
STEVE DUFF, SHERIFF
NOTES TO THE FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Fee Pooling

The Sheriff went to fee pooling as of July 1, 1994.

HARLAN COUNTY
STEVE DUFF, SHERIFF
NOTES TO THE FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 5. Drug Account

The Sheriff maintained a drug account for calendar year 1999. The beginning balance was \$73,469. Receipts during the year were \$13,090, including \$2,218 in interest income. Disbursements during the year totaled \$12,089 resulting in an ending balance at December 31, 1999 of \$74,470, which is not available as excess fees.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Joseph A Grieshop, County Judge/ Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Sheriff As of December 31, 1999, and have issued our report thereon dated August 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harlan County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Joseph A Grieshop, County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance with Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –
August 30, 2000

